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DARLENE GREEN  
Comptroller



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

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December 1, 2006

Gary Morse, Executive Director  
Community Alternatives, Inc.  
3738 Chouteau Ave.  
St. Louis, MO 63110

RE: Fiscal Monitoring Report of Community Alternatives Supportive Housing  
Program Grant (SHP) and Federal Emergency Shelter Grant (#2007-HOM03)

Dear Mr. Morse:

Enclosed is a report of our fiscal monitoring review of the Community Alternatives grant contracts (Document #'s 49584 and 50824) for the period November 1, 2004 through June 30, 2006. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the Community Alternatives. Our fieldwork was completed on October 20, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Department of Human Services (DHS) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charles Schroeder at 613-6089.

Sincerely,

A handwritten signature in cursive script that reads "Sedrick D. Blake".

Sedrick D. Blake, CPA  
Internal Audit Executive

cc: Patrick Brennan, Fiscal Manager, Department of Human Services

Enclosure



# CITY OF ST. LOUIS

***DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES PROGRAM***

***COMMUNITY ALTERNATIVES  
SUPPORTIVE HOUSING PROGRAM (SHP)  
FEDERAL EMERGENCY SHELTER GRANT (FESG)  
DOCUMENTS #49584 AND #50584***

***FISCAL MONITORING REVIEW***

***NOVEMBER 1, 2004 THROUGH JUNE 30, 2005***

***PROJECT #2007-HOM3***

***DATE ISSUED: DECEMBER 1, 2006***

***Prepared by:  
The Internal Audit Section***



## OFFICE OF THE COMPTROLLER

**Honorable Darlene Green, Comptroller**

**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES  
COMMUNITY ALTERNATIVES  
DOCUMENTS #49584, 50824  
FISCAL MONITORING REVIEW  
NOVEMBER 2004 THROUGH JUNE 30 2006**

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**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES  
COMMUNITY ALTERNATIVES  
DOCUMENTS #49584, 50824  
FISCAL MONITORING REVIEW  
NOVEMBER 2004 THROUGH JUNE 30 2006**

**INTRODUCTION**

**Background**

**Contract Name:** Community Alternatives

**Document Number:** #49584

**Contract Period:** November 1, 2004 through October 31, 2007

**Contract Amount:** \$618,923

**Document Number:** 50563

**Contract Period:** Contract Period: January 1, 2005 through December 31, 2005

**Contract Amount:** \$26,000

These contracts provide funds from the Department of Housing and Urban Development (HUD), to Community Alternatives to provide housing services with integrated substance abuse treatment for homeless persons and their families.

**Purpose**

The purpose of this fiscal monitoring review was to determine Community Alternatives' (Document #s 49584 and 50563) compliance with federal, state and local Department of Human Services (DHS) requirements for the period November 1, 2004 through June 30, 2006, and make recommendations for improvements.

**Scope and Methodology**

We made inquiries regarding Community Alternatives' internal controls relating to the grant administered by the Department of Human Services (DHS), tested evidence supporting the reports the Agency submitted to DHS and performed other procedures considered necessary. Our fieldwork was completed on October 20, 2006. Management's responses were received on November 28, 2009 and have been incorporated into this report.

**CITY OF ST. LOUIS  
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**CONCLUSION AND SUMMARY OF OBSERVATIONS**

**Conclusion**

The Community Alternatives did not fully comply with federal, state and local DHS requirements.

**Status of Prior Observations**

The Agency's most recent fiscal monitoring report, dated July 8, 2004, identified the following observation:

- The Agency did not require two signatures for checks under \$15,000. This observation has not been fully resolved, although the Agency has reduced its limit for checks that can be issued with one signature to less than \$5,000.

**A-133 Status**

The Agency had expended over \$500,000 in federal funds for the year ending December 31, 2005, so they did have to file an A-133 audit report. The report, dated March 7, 2006, issued unqualified opinion on the financial statements. There were no reportable conditions, findings, or questioned costs on the financial statements or the federal awards.

**Summary of Current Observations**

We made recommendations for the following observation, which if implemented, could assist Community Alternatives in fully complying with federal, state, and local DHS requirements.

- The Agency did not require two signatures for checks under \$5,000.



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**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**The Agency did not Require Two Signatures for Checks Under \$5,000.**

The Department of Human Services policy guidelines require the Agency to have two authorized personnel sign checks. The Agency does not require at least two authorized people to sign checks under \$5,000, but does for all checks for amounts of \$5,000 or more. Internal control over expenditures may be reduced when only one individual signs disbursement checks. However, it appears that there are strong compensating internal controls in place regarding the invoice processing and check printing.

**Recommendation**

We recommend the Agency comply with DHS guidelines and require two authorized signatures for all checks or request a waiver for this requirement from DHS.

**Management's Response**

*You observed that Community Alternatives did not require two signatures for checks under \$15,000 previously and \$5,000 currently. I concur with this observation.*

*A waiver has been requested for this issue on numerous occasions, beginning back in June 2004. As stated in several previous management response letters, due to the volume of checks that flow through the accounting department on a monthly basis, as well as the small number of management team members, we chose to require a double signature on only checks that exceed \$5,000. This was lowered from \$15,000 previously.*

*We have requested a waiver for this each time it has been cited in a fiscal monitoring and have not been responded to by the DHS Homeless Services Division. I will continue to follow-up on this issue until we have an answer either way.*